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1891.

MISCELLANEOUS SERIES.

No. 202.

REPORTS ON SUBJECTS OF GENERAL AND
COMMERCIAL INTEREST.

SWITZERLAND.

REPORT ON
COMPULSORY INSURANCE AGAINST ILLNESS AND
WORKING OF MUTUAL AID SOCIETIES.

REFERENCE TO PREVIOUS REPORT, Miscellaneous Series No. 160.

*Presented to both Houses of Parliament by Command of Her Majesty,
JUNE, 1891.*

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1891.

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SWITZERLAND.

BERNE.

Mr. Scott to the Marquis of Salisbury.

My Lord,

Berne, May 19, 1891.

I HAVE the honour to transmit to your Lordship, herewith, a Report, drawn up by Mr. Buehanan, Second Secretary of this Legation, on the subject of Compulsory Insurance against Illness, and the Working of Mutual Aid Societies in this country, being in continuation of his Report on the Compulsory Insurance of Workmen against Accidents, which I had the honour to forward to your Lordship in my despatch of March 13 of last year.*

Mr. Buehanan has been devoting great attention and study to this interesting question, and his able Report will be found to contain much valuable information.

I have, &c.

(Signed) CHARLES S. SCOTT.

Report on the Question of Compulsory Insurance against Illness, and on the Working of Mutual Aid Societies in Switzerland.

By the adoption last June of an additional Article to the Constitution, giving the Confederation competence to legislate on the subject of compulsory insurance, the Federal Assembly took the first practical step towards the realisation of the object which it had in view when it invited the Federal Council in March, 1885, to take into its consideration the question of the compulsory insurance of workmen against accidents. Compulsory insurance.

The Article, as finally passed by the Chambers, differs considerably from the text of the original one submitted to them by the Federal Council, and is the result of a compromise between the latter and the various amendments proposed in the course of the debates. It now runs as follows:—

* See No. 160 Miscellaneous Series.—ED.

Text of
Article
empowering
the
Confederation
to legislate.
Its adoption
by the people
at the
Referendum.

“The Confederation is competent to introduce by way of legislation, insurance against sickness and accidents, taking into account the mutual aid societies already existing.

“It may declare participation in these insurances obligatory in general, or for certain determined categories of citizens.”

This partial revision of the Constitution was submitted to the Referendum on October 26 with the result that the principle of compulsory insurance, which it initiated, received the sanction of a very large majority of the Swiss people. In obedience to this popular mandate, the Federal Council is now engaged in the elaboration of the measure for which it has been collecting materials for some years past, but which, owing to the many difficulties surrounding the subject, is not likely to be submitted to the Chambers during the present year.

Compulsory
insurance
against
illness.

It has been shown in a previous report that it was the supposed failure of the Liability of Employers' Acts to protect the interests of workmen, which brought into prominence the idea of their compulsory insurance against accidents, and it may now be well, while awaiting the future proposals of the Federal Government, to inquire how far the principle of compulsory insurance against illness has already found acceptance in the country, and to examine into the nature and working of the existing mutual aid societies, on which it is suggested that the proposed scheme of compulsory insurance against illness should be grafted.

Adopted in a
limited form
in the cantons
of Appenzell
and St. Gall.

The idea of such a form of insurance is no novel one in Switzerland. It has been discussed over and over again in the legislative councils of certain cantons, but up to the present it has only been carried into effect in the cantons of St. Gall and Appenzell. In both of them, moreover, its scope has been strictly limited to a small fraction of the population, consisting of natives of other cantons who might otherwise have become a charge on the commune in which they had temporarily settled when prevented by illness from gaining a livelihood. The introduction, therefore, of this restricted form of compulsory insurance was prompted by a desire to relieve the communes of a troublesome burden rather than by any social or philanthropic motive.

Appenzell.

The canton of Appenzell was the first to move in this direction. By a law passed in 1879 each commune was required to take measures, subject to the approval of the cantonal authorities, for the compulsory enrolment into one or other of the existing mutual aid societies of all residents within its districts who were not citizens of the canton. The law fixed the entrance fee into these societies at 5*d.*, and the weekly premium at 2½*d.*

St. Gall.

The canton of St. Gall took a further step in the same direction in 1885 by passing a law requiring each commune or group of communes to establish special societies for the compulsory insurance of all non-natives of the canton who had not already joined a recognised mutual aid society containing at least 100 members. The entrance fee was fixed at 5*d.*, and the weekly premium at 2½*d.* for men, and 2*d.* for women, and in the event of

these contributions proving insufficient the deficit was to be met out of the communal poor fund. By way, moreover, of encouraging the creation of communal hospitals the State undertook to contribute a sum not exceeding 25 per cent. of the total cost of such a building in any commune whose resources fell short of the calls on its poor fund.

By a special clause in this law medical relief is in no case to be continued to the same individual for the same illness for more than three months in one year.

Although none of the other cantons have as yet succeeded in carrying through any measure of compulsory insurance against illness, the question has for some years past engaged the attention of the legislative councils of Bâle-Ville, Geneva, Aargau, and Zürich, in all of which cantons measures in various stages of advancement are under consideration. Proposals for its introduction into other cantons.

In the canton of Bâle-Ville the idea was first started in the year 1875, when the town was visited by a severe epidemic of typhus. Since that date various measures dealing with the subject have been discussed, and one was actually passed last year by the Cantonal Council, although, as has already been reported, it was subsequently rejected by the people on submission to the Referendum. Bâle-Ville.

A new Bill has since been prepared which, it is hoped, will meet with a better reception, as, profiting by past experience, it proposes to utilise the machinery of the existing mutual aid societies, whose members led the opposition to the rejected law.

A measure introduced in the Cantonal Council of Geneva in 1887 has since been remodelled by its authors, and is awaiting the final decision of that assembly. Its main idea is to entrust the general hospital at Geneva with the task of organising, in conjunction with the communes, a system of insurance against illness, obligatory on all citizens of the canton above 18 years of age, and optional for all other Swiss citizens domiciled in it. The Executive Committee of the Hospital is, it is proposed, to consist of 25 members to be selected by the various legislative and municipal authorities of the canton, and an annual subsidy not exceeding 6,000*l.* is to be granted from cantonal funds. Geneva.

In addition to medical treatment the system contemplates the grant of a daily allowance to those who are disabled by illness, except in cases where their insurance premiums are found to be in arrears owing to idleness or misconduct.

Financial and other difficulties have hitherto stood in the way of the realisation of a scheme which, when presented to the Cantonal Council of Aargau in 1888, met with the approval of the Government and of the majority of that assembly. Aargau.

According to its terms insurance was to be made compulsory for all classes of workmen, domestic servants, &c., by means of insurance societies to be created in the different communes. Mutual aid societies of over 100 members, in which the relief afforded came up to the required standard, might, on submission

to Government control, acquire the same status as the compulsory insurance associations.

It was proposed that the weekly premium should be fixed at 2*d.* for those under 16 years of age and at 3*d.* for adults, and that employers of labour should be required to contribute $\frac{1}{2}$ *d.* a week for all in their employ. For all cases not received into a hospital free medical treatment was to be provided, while after the third day's illness a daily allowance was to be granted, amounting to 5*d.* for those under 16, and to 10*d.* for adults and for women during a period of four weeks after a confinement. When a member of one of these associations was unable through absence in some other locality to avail himself of the privileges to which he was entitled in case of illness, a daily allowance of 1*s.* 3*d.* was to be made to him. Thirteen weeks was fixed as the limit of time for receipt of relief by the same individual, while any deficit in the accounts of these societies was to be made good by the particular commune interested and by the State conjointly.

Zürich.

In the canton of Zürich various plans of compulsory insurance have been mooted in the course of the last few years. At one time indeed an idea was started that the object aimed at might be attained by instituting a system of general medical relief to be administered by the hospitals, doctors, chemists, &c., under State supervision, but no practical step seems ever to have been taken for carrying it into effect. In 1889, however, a Bill was presented to the Cantonal Council for the compulsory insurance of workmen and domestic servants above the age of 18 years by means of special insurance societies to be created in the communes, which were to be worked in connection with the existing mutual aid societies on the principle of free circulation (*freizügigkeit*) between all the different associations—members of one being thus enabled on changing their domicile to pass into another society and to acquire the full rights of membership. All mutual aid societies entering into this combination were to offer the same advantages to their members as the compulsory associations, while their financial administration and medical arrangements were to be subject to the control of the communal authorities. Subventions, varying in amount according to the necessities of each particular case, were to be granted equally to both classes of these societies.

The Bill lays down various rules respecting the nature of the relief to be afforded, fixes the daily sick pay at 10*d.* after the third day's illness, but limits the total amount to be received by the same individual in the course of the year to 4*l.*, or to half this amount if his case is treated in a hospital. As regards the payment of the monthly premium of 10*d.*, it proposes that in the case of domestic servants half should be paid by the master, but that in the case of workmen the whole amount should be paid by the employer, subject to the right on the part of the latter to recoup himself by deducting from the workmen's wages a sum not exceeding 2 per cent. of the total amount.

The Bill would, moreover, guard against all attempts at

fraudulent simulation of illness by creating in each commune a board of medical inspection, and by imposing on all members, collectively and individually, the duty of protecting the interests of their societies against any abuses of this nature.

Two other clauses of the Bill are worthy of note.

The first of these empowers the compulsory societies to require a certificate of health from all those presenting themselves for insurance, and to refuse admission to all persons suffering from an acute or chronic disorder, or who are above the age of 60 years. As, however, such persons would find the mutual aid societies likewise closed to them, the Bill proposes to create polyclinics for their reception and treatment in all districts where no such institution exists.

The other clause referred to authorises them to compel any local practitioner to accept the duties of medical officer, in the event of their being unable to make any private arrangement for filling up the post.

Such then have been the principal measures proposed for introducing compulsory insurance against illness into certain individual cantons, and although, with the exception of those passed by the legislatures of St. Gall and Appenzell, none have as yet been definitely adopted, the idea itself has been made familiar to the public mind, while the advanced stage reached by some renders their adoption a mere question of time, unless indeed they should be withdrawn when the measure of compulsory national insurance, now being prepared by the Federal Government, shall have become the law for the whole of Switzerland.

Probability of the ultimate adoption of these measures.

Turning, however, from these various projects of cantonal insurance, let us now see what results have been obtained when the solution of the question of insurance against illness, infirmity, old age, and death, and of securing a provision for widows and orphans, as well as for those condemned to a life of idleness by sickness and infirmity, has been left to private initiative.

Mutual aid societies for the attainment of one or other of these objects have for a long time past been doing good work in Switzerland, some three or four of them dating their actual foundation as far back as the 16th and 17th century. During the last 25 years their number must have certainly doubled, for, according to the latest available statistics, there were 1,085 such societies in existence in 1880, as against 632 in 1865, while in the last 10 years they have been constantly adding to their number. The roll of members, moreover, increased from 96,003 in 1865 to 209,820 in 1880, being, in a population of 2,846,102, at the rate of one member to every 13.6 inhabitants.

Mutual aid societies.

Out of these 1,085 societies, 919 insure their members against illness, 84 secure them a provision for old age and infirmity, or grant allowances to their widows and orphans, and 82 merely insure their lives. These last-named societies increased from 15 in 1865 to 82 in 1880, the largest of them numbering 2,671 members, and the smallest 38. The principle on which they are worked is that every member, on the death of an associate, has

Their number and objects.

to pay a fixed sum, varying from 2*d.* in some to 10*d.* in others, and in two cases to as much as 4*s.* 2*d.*, which after defraying funeral expenses forms a fund for the support of the widow and children.

Nature of the relief afforded. The 919 societies that insure their members against sickness may roughly be classed as follows as regards the nature of the relief afforded:—

558 merely grant a daily money allowance to members who are disabled by sickness.

129 pay the doctor's fees as well.

83 grant the allowance, pay the doctor's fees, and provide medicine gratis.

3 do nothing but pay the doctor's fees.

111 pay for the doctor and medicines, or for the patient's treatment in a hospital.

No particulars are forthcoming as regards the relief afforded by the remaining 35.

It would thus appear that the most pressing duty of these societies is to make provision for the material loss occasioned by illness. Several, however, of those which only give what is termed the "indemnité de chômage," or sick pay, affect a certain portion of it to the treatment of the case in a hospital.

Average number of members. The average number of members belonging to a society is 201; 25 however have over 1,000 members, and 288 under 50. Men represent 78·3 per cent., women 20·8 per cent., and children 0·9 per cent. of these numbers.

Area of their operations. As regards the area of their operations, 621 comprise a single commune; 165 comprise two communes; 70 comprise a whole canton; 10 comprise the whole of Switzerland; 197 comprise a single factory; and 22 comprise a single railway company.

The societies may be divided into two classes—the purely optional, numbering 675, or 62 per cent., and the obligatory, numbering 410, or 38 per cent. The obligation of entrance into these latter is imposed by certain railway companies, manufacturers, or other employers of labour, on those in their employ, or by societies of workmen, freemasons, &c., on their members.

Fortune, revenue and expenditure. The net fortune of all these societies amounted in 1880 to 666,117*l.*, being at the rate of about 3*l.* 3*s.* per member, while their revenue for that year reached the sum of 154,358*l.*, or about 15*s.* 3*d.* per member, derived from the following sources:—

	£
Subscriptions and entrance fees of members	102,340
Contributions of honorary members, donations, &c.	17,572
Interest, fines, &c.	34,446

Their expenditure, on the other hand, amounted to 117,615*l.*, being at the rate of about 11*s.* 8*d.* per member, apportioned approximately as follows:—

	£
Sick pay	38,767
Medical expenses	17,019
Payments on death	19,746
Allowances to widows and orphans	16,754
„ aged and infirm members	13,335
Sundry expenses	6,002
Administrative expenses.. .. .	5,992

According to more detailed information supplied by 675 of the societies, which insure against illness, it appears that 117 of them are composed exclusively of members of certain trades (compagnons), 269 of workmen and servants, while 289 are of a general character, and open to all alike.

The first of these classes numbered, in the year 1880, 8,489 members, and relieved 2,460 cases of illness, extending over a total of 49,207 days; the second, with 45,285 members, relieved 14,433 cases extending over 275,255 days; and the third, with 54,630 members, relieved 13,001 cases extending over 338,884 days.

If again these societies be classified according to the length of the period during which relief is afforded, the following results are obtained:—

Number of Societies.	Number of Members.	Duration of Relief.	Average Annual Premium of Members.	Average Daily Cost of Relief per Case.
274	31,133	3 months	Francs. 8·71	Francs. 1·83
169	30,245	6 months	11·22	1·38
102	20,017	1 year	11·15	1·51
130	27,000	Unlimited	13·66	1·32

Much has thus been accomplished by private means in the direction of insurance against illness, and the experience which these various societies have gained, as well as the machinery which they have set in motion, will doubtless be utilised by the Federal Government in framing their proposed measure of compulsory insurance. Many persons, however, would prefer that these societies should be left free to continue the good work which they have begun without any intervention of the State in their special branch of insurance. But apart from the fact that it is almost impossible for any measure of compulsory insurance against accidents to be complete unless some provision is made in it for cases of illness which are the direct consequence of such accidents, there are, in the opinion of many of the best judges, serious defects in the voluntary system as at present worked in this country.

The attainment of the object aimed at must, it is said, be more difficult, while mistakes must be more common, in a system of which the component societies differ so widely from each

Statistics as to cases and number of days of illness relieved.

Length of period during which relief is granted.

Reasons for introducing a measure of national insurance.

Defects in the present voluntary system.

other in administration, in the number, age and sex of their members, in the rate of the premiums charged and in the nature and duration of the relief afforded.

In many societies, indeed, insurance against sickness, the primary object for which they were started, has, through neglect of the proper safeguards, gradually been converted into insurance against old age and infirmity; the scale of premiums remaining the same, although quite unsuited to the altered character of the undertaking. In others, again, but little attention seems to be paid to maintaining a proper reserve fund, the one object of ambition being to reduce the scale of premiums to a minimum, or to raise the "indemnité de chômage" to a maximum. As regards, moreover, this latter form of relief, some societies content themselves with verifying the actual fact of illness, without inquiring further whether any portion of the money granted to relieve it is expended in obtaining proper medical treatment.

Their unequal distribution and the excessive number of small societies.

The unequal manner in which the societies are distributed over the country, and the constant increase in the number of small societies are also considered serious drawbacks to the development of any system of insurance. Professor Kinkelin, one of the most competent authorities on the subject, to whom we are indebted for much of the information contained in this report, draws attention to the fact that in some towns as many as 20 societies, averaging about 30 members each, may be found existing side by side in a state of vegetation from which, owing to their meagre resources, they are unable ever to escape. Were they, on the other hand, to join together so as to form one large society in which the public could place confidence, the number of members would rapidly increase, while the prospect of finding men among them capable of administering and developing the resources of the society would be proportionately greater. The advantages to be reaped from combination, both by members individually, and by societies in their corporate capacities, are well exemplified in the cases of such societies as those of the cantons of Berne, of Vaud, and Neuchâtel, while the dangers which some contend must necessarily arise from the centralising tendency of such a system can, Professor Kinkelin thinks, be easily guarded against by establishing a local control over the administration of relief through the districts or communes of which the societies would be composed. Such an arrangement, moreover, would greatly facilitate the free circulation of members between one society and another, although, in order to avoid pecuniary loss being caused to any individual society, from the difference in age of the members, thus interchanged, he would propose that, when a member is obliged to leave his original society owing to a change of domicile, the surrender value due on his policy of insurance should be paid over by that society to the one into which he may eventually be received.

Constitution of the Mutual Aid Society of the canton of Vaud.

To give some idea of the constitution of these larger societies, we may briefly sketch that of the Mutual Aid Society of the canton of Vaud, founded in the year 1846, for the purpose of securing to its members a provision in the case of illness.

The area of its operations embraces the whole canton, while it may, by a decision of a general meeting of members, effect an affiliation with similar societies of other cantons. All Swiss citizens and all foreigners born in the canton, or domiciled therein for a minimum term of two years, may, on the recommendation of two members, be admitted into it, provided that they are between the ages of 16 and 50, and that they can produce a certificate of health signed by a duly authorised medical practitioner.

The entrance fee is fixed at a sum varying from 4*s.* 2*d.* to 6*s.* 8*d.*, and the monthly subscription of members at 10*d.* Members, whose subscriptions are three months in arrears, incur the penalty of expulsion unless they are over 65 years of age, and are in a state of destitution after having belonged to the society for 20 years.

The right to relief commences three months after the date of a member's admission, but no relief can be obtained until the fact of an illness having lasted three days at least has been established to the satisfaction of a doctor and of a duly authorised officer of the society. In cases of total disablement by illness a daily allowance of 1*s.* 3*d.* is granted for the first six months, of 10*d.* for the second six months, and of 5*d.* for the three months following. Should the illness last longer than 15 months, further special relief may be granted if compatible with the state of the society's finances. In cases of partial disablement the daily allowance is never to exceed 10*d.* No relief is given in cases of illness caused by a member's own misconduct.

During absence from the canton members lose all claim to assistance, but are, on the other hand, relieved from the payment of their monthly subscription.

The funeral expenses of members are paid by the society, but must in no case exceed the sum of 16*s.* 8*d.*

The society appoints guardians for orphans, and may in the case of illness or extreme poverty accord special relief to the widow or orphans of members of over five years' standing.

The capital of the society is composed of:

1. Entrance fees and donations, forming a reserve fund which is deposited in the Cantonal Bank and administered by the central committee.

2. The monthly subscriptions of members, constituting the working capital of the society, the management of which is in the hands of the district committees, subject to the supervision of the central committee.

The society is divided into local branches or sections. A new branch is established whenever 50 members of the society dwelling within the same district address a petition for the creation of one to the central committee. All members domiciled within such district are then obliged to join the local branch.

The members of these branches hold a general meeting every three months to pass the accounts of their committees, while they meet once a year to elect the members of these committees and to choose delegates to attend the general assembly of the society.

The committees appoint paid officers to inquire into all cases of sickness and to distribute relief.

A general meeting of the society, attended by one delegate for every 50 members of the local branches, is held once a year to elect the central committee, to frame or revise the statutes of the society, to pass accounts, to vote any special form of relief, and to settle all questions which may arise between the central and district committees.

The central committee is entrusted with the general administrative work of the society. It appoints a central accountant and a central agent, whose duty it is to correspond with the district committees and to examine and check their accounts.

The society cannot be dissolved so long as it counts 100 members, and in the event of dissolution its fortune is to be handed over to some charitable institution.

Effect of a measure of national insurance on the position of the voluntary societies.

Finally, as regards the question of the effect which the adoption of a measure of compulsory insurance is likely to have on the position of the voluntary societies, we may quote the views expressed by a member of the Council of States, M. Göttisheim, in an interesting report on the subject of compulsory insurance, which he has recently addressed to the Federal Government.

Referring to the fact that the number of days' illness resulting from accidents amounted during the 12 months ended March 31, 1889, to 19,521, he maintains that any measure of compulsory insurance against accidents must also make provision for insurance against illness. As, however, the former branch of insurance recognises the claim of the injured workman, not only to proper medical treatment, but also to an indemnity for the pecuniary loss entailed on him by the accident, the same principle must likewise be extended to disablement by sickness if the two forms of insurance are to be worked together.

The State, however, cannot limit its action to the mere grant of sick pay, as is at present done by the majority of the mutual aid societies, but must rather concentrate its energies on securing proper medical treatment in every case of illness, so that recovery of health may be as rapid, and the duration of the period of incapacity to work as short as possible.

What, therefore, strikes M. Göttisheim as the most desirable solution of the question of the ultimate relations between the State and the voluntary societies is, that the former should confine itself to providing medical treatment, while the latter should devote their resources to furnishing pecuniary compensation for the loss occasioned by illness. Relieved by the State of the expenses of the medical treatment the societies would be in a far better position to furnish the sick pay to their members, while the members themselves would further benefit by the lower scale of the State premiums, more especially as a portion of these would in all probability have to be borne by the employers.

There are unfortunately, as he admits, several obstacles in the way of the carrying out of such an arrangement.

In the first place, the administrative machinery of the voluntary societies, though well enough adapted to the wants of their 209,920 members, would be quite inadequate if called on to deal with the 750,000 who will, it is calculated, come under the operation of the proposed measure of compulsory insurance.

In the second place, the distribution of the societies over the country at large is, as has already been pointed out, far from regular, as appears at once from the fact that in the canton of Fribourg, the population of which is 115,400, there are but three such societies in existence.

In order, moreover, to utilise the services of the societies in any system of national insurance it will be necessary to place them more or less under Government control, and to modify their statutes so as to ensure uniformity as regards the scale of sick pay, &c. The loss of independence, however, which such a proceeding must entail, will certainly deter some among them from entering into a combination of this character with the State, and, as it would be impossible to attempt to realise any plan of national insurance through the exclusive agency of the remainder, the State will be compelled to supplement their deficiencies from other sources. This, M. Göttisheim suggests, might be done by creating communal or district societies in all localities that do not already possess a voluntary society either capable or willing of discharging the duties required of it.

The existing machinery of the voluntary societies would thus be utilised as far as is compatible with the public interest; the dangers resulting from over-centralisation would be avoided, while many of the anomalies of the present system would be got rid of.

